Chinese airline mergers begin

ANDRZEJ JEZIORSKI/SINGAPORE

FOLLOWING RENEWED official calls for consolidation of the Chinese airline industry, SA Group – parent of China Southern Airlines, the country's largest carrier – is to take the first step by buying Zhongyuan Airlines, based in the northern province of Henan.

SA says the merger "has been under discussion for several weeks", and has been approved by the Civil Aviation Administration of China (CAAC) and the Henan provincial government. The move follows a CAAC announcement that the 10 carriers under its authority will combine into three large groups, headed by China Southern, China Eastern Airlines and Air China.

Previous calls for mergers among China's 30-plus carriers have been resisted, but with the sector still struggling in the wake of the Asian downturn, Beijing is determined to see rationalisation.

Zhongyuan is currently owned by the Henan Provincial Communications Department, and, together with China Southern, will account for 60% of the market in Zhengzhou, where it is based. Analysts say the move by SA, which owns 65% of Guangzhou-based China Southern, advances the CAAC's goal while avoiding the risk of taking on the debts of larger carriers such as China Northwest and China Northern.

Zhongyuan operates five Boeing 737-300s and two Xian Aircraft (XAC) Y-7 turboprops. It has assets of 1.46 billion yuan ($176 million) and employs more than 560 people. SA says the carrier will continue under its own name, although an eventual merger with China Southern seems likely. Previous deals have seen Guizhou Airlines be bought by China Southern and China General Airlines be taken over by China Eastern, which has also been in takeover talks with Great Wall Airlines. ❑

737-900 takes off on six-month flight test programme

THE BOEING 737-900 made its maiden flight from Renton, Washington, on 3 August, marking the start of a planned 380h flight test effort. Deliveries are due to begin early next year.

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The 2h 58min flight was cut short by several minutes after a vibration mode was detected in the tail.

"The original plan was a full production flight, and we probably did around 90% of it," says John Cashman, Boeing director of flight crew operations. "But we had a vibration in the tail end when the elevators were kicked, so we cut four or five of the last test conditions at higher altitudes," says Cashman. Tests omitted included some pressurisation checks and engine relights.

Despite the vibration, the 737-900 was flown to 340kts, or close to the aircraft's Vmo at altitudes of up to 16,000ft. The only other unplanned event was the failure of the static test cone to retract back into the aircraft prior to landing. ❑

Oneworld's Quantas reveals talks to acquire holding in Malaysian

MALAYSIA AIRLINES (MAS) shareholder Naluri has revealed that it is negotiating to sell shares in the airline to the Malaysian Government. At the same time, Kuala Lumpur has admitted that talks have been held with Australia's Qantas, which is rumoured to be keen to recruit MAS for oneworld.

Naluri, which owns 29.1% of MAS, is restructuring a 1 billion ringgit ($263 million) debt by disposing of assets. It says that it is in "initial discussion with the Government in respect of its investment", stressing that no decisions have yet been made. The announcement comes at a time of continued speculation in the state-run Malaysian media about possible investment from Qantas. Both airlines initially denied the rumours, but the Government now says talks have been held.

Qantas routes several European services via Singapore, despite the fact that the hub's dominant carrier, Singapore Airlines, is now a Star Alliance member. The recruitment of MAS, combined with the rerouting of some existing services, would secure many more Southeast Asian connections for oneworld via Kuala Lumpur Airport.

MAS recently won Government approval to increase its foreign share ownership from 30% to 45%. 16.5% of the carrier is in foreign hands, Brunei Investment Agency being the biggest single shareholder, with 9.1%.

Qantas' share price has meanwhile improved by 26% over the past four weeks, with some of the gain linked to the impending launch of the carrier's e-commerce strategy. Analysts at Credit Suisse First Boston believe the initiative could become the dominant portal in Australia. ❑

Intensive makes its mark in South Africa

A NEW LOW-cost airline, Intensive Air, appears to have captured a lucrative budget travel niche in the South African market by undercutting scheduled carriers by over 50%.

An established charter operator, based at Johannesburg International Airport, Intensive Air received approval for a scheduled air transport licence last month, having flown on a temporary licence for the past two months. It operates three no-frills services a week between Cape Town and Johannesburg using an ex-Scandinavian Airlines 75-seat Fokker F28 Mk4000.

Chief executive Kobus Louw is a Johannesburg heart surgeon with a commercial degree in aviation who has previously run air ambulance service Care Airlines. Intensive Air also provides F28 charter services for Air Botswana. It has two more F28s coming from SAS.

Modelled on the UK's easyJet, Intensive is offering one-class return fares on its scheduled domestic services from as low as R500 ($71). The airline has been achieving load factors of over 80%, Louw claims, forcing Intensive to charter a larger McDonnell Douglas DC-9 from Million Air in late July.

Fuel price hikes have forced South African airlines to raise their fares by 6%, but Intensive Air says it will keep down its prices, for the time being. ❑